

286.5-441 Real estate loans, requirements -- Purposes for which made -- Additional payments.

- (1) Real estate loans may be made only as authorized by this subtitle. No real estate loan shall be made until a qualified person or persons selected by the board of directors shall have submitted a signed appraisal of the real estate securing such loan.
- (2) Every loan shall be evidence by a note or bond for the amount of the loan. The note or bond shall specify the amount, rate of interest, terms of repayment including any penalty or charge for late payment, and may contain all other terms of the loan contract.
- (3) Every real estate loan shall be secured by a mortgage or other instrument constituting to a first lien, upon the real estate securing the loan, according to any lawful or well-recognized practice which is best suited to the transaction. Any such instrument, constituting a first lien, is herein termed a "mortgage." Such mortgage shall provide specifically for full protection to the association with respect to such loan and additional advances and the usual insurance risks, taxes, assessments, other governmental levies, maintenance, and repairs. It may provide for an assignment of rents, which assignment shall be absolute upon the borrower's default, becoming operative upon written demand made by the association. All such mortgages shall be recorded in accordance with the law of this Commonwealth.
- (4) Any mortgage that can be made by an association under the provisions of this subtitle may be made to secure existing debts or obligations, to secure debts or obligations created simultaneously with the execution of the mortgage, to secure future advances to be made at the option of the parties up to a total amount stated in the mortgage, and all such debts, obligations, and future advances shall, from and as of the time the mortgage is filed for record as provided by the law of this state, be secured by such mortgage equally with, and have the same priority over the rights of all persons who subsequent to the recording of such mortgage acquire any rights in or liens upon the mortgaged real estate as the debts and obligations secured thereby at the time of the filing of the mortgage for record.
- (5) An association may pay taxes, assessments, insurance premiums, and other similar charges for the protection of its real estate loans. All such payments shall be added to the unpaid balance of the loan and shall be equally secured by the first lien on the property as provided in subsection (3) of this section. An association may require life insurance to be assigned as additional collateral upon any real estate loan. In such event, the association shall obtain a first lien upon such policy and may advance premiums thereon, and such premium advances shall be added to the unpaid balance of the loan and shall be equally secured by the first lien on the property as provided in subsection (3) of this section.

Effective: June 18, 1964

History: Created 1964 Ky. Acts ch. 138, sec. 26, effective June 18, 1964.

Formerly codified as KRS 289.441.

Legislative Research Commission Note (7/12/2006). In accordance with 2006 Ky. Acts ch. 247, secs. 38 and 39, this statute has been renumbered as a section of the

Kentucky Financial Services Code, KRS Chapter 286, and KRS references within this statute have been adjusted to conform with the 2006 renumbering of that code.